

CITY OF GREENE, IOWA

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD
JULY 1, 2013 THROUGH JUNE 30, 2014

- Prepared By -

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CITY OF GREENE, IOWA

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CITY OF GREENE, IOWA

OFFICIALS

(Before January 2014)

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
William Christensen	Mayor	January 2014
Allan Zweck	Mayor Pro tem	January 2014
Denise Shreve	Council Member	January 2014
Scott Watkins	Council Member	January 2014
Pat Bouillon	Council Member	January 2016
Marilyn Folkers	Council Member	January 2016
Jayne Knapp	Clerk/Treasurer	Indefinite
Carter Stevens	Attorney	Indefinite

(After January 2014)

William Christensen	Mayor	January 2016
Allan Zweck	Mayor Pro tem	January 2018
Pat Bouillon	Council Member	January 2016
Marilyn Folkers	Council Member	January 2016
Denise Shreve	Council Member	January 2018
Scott Watkins	Council Member	January 2018
Jayne Knapp	Clerk/Treasurer	Indefinite
Luke Guthrie	Attorney	Indefinite



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Honorable Mayor and
Members of the City Council:

I have performed an agreed-upon procedures engagement of the City of Greene, Iowa pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide certain minimum oversight of Iowa cities. Accordingly, I have applied certain tests and procedures to selected accounting records and related information of the City of Greene for the period July 1, 2013 through June 30, 2014. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States.

The procedures I performed are summarized as follows:

1. I reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. I reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. I reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. I obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. I reviewed City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. I reviewed the City's fiscal year 2014 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. I reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. I reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
9. I reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.

10. I reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
11. I reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
12. I reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
13. I reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
14. I reviewed transfers between funds for propriety, proper authorization and accurate accounting.
15. I reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
16. I reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, I identified various recommendations for the City. My recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

I was not engaged to and did not conduct an audit of the City of Greene, the objective of which is the expression of opinions on the City's financial statements. Accordingly, I do not express opinions on the City's financial statements. Had I performed additional procedures, or had I performed an audit of the City of Greene, additional matters might have come to my attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Greene and other parties to whom the City of Greene may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Greene during the course of my agreed-upon procedures. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Charles City, Iowa
December 9, 2014

Detailed Recommendations

**CITY OF GREENE, IOWA
DETAILED RECOMMENDATIONS
FOR THE PERIOD JULY 1, 2013 THROUGH JUNE 30, 2014**

- (A) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Cash - handling, reconciling and recording.
- (2) Receipts - opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll - recordkeeping, preparing and distributing.
- (5) Utilities - billing, collecting, depositing and posting.
- (6) Financial reporting - preparing and reconciling.
- (7) Journal entries - preparing and journalizing.

Recommendation - I realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

- (B) Post-dated Checks - I noted the City is post-dating checks.

Recommendation - The City should avoid the use of post-dating checks.

- (C) Separately Maintained Records - The Friends of the Library maintains separate accounting records for certain operations. These transactions and resulting balances were not included in the City's accounting records until the end of the year.

Recommendation - Chapter 384.20 of the Code of Iowa states, in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose." For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City's accounting records and reported to the City Council on a monthly basis.

- (D) City Council Minutes - Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings include total disbursements from each fund. Minutes for two meetings tested did not include a summary of disbursements by fund.

Recommendation - The City should comply with the Code of Iowa and publish total disbursements by fund, as required.

- (E) Ambulance Petty Cash Replenishment - The petty cash reimbursement is done through a bank withdrawal rather than a check authorization.

Recommendation - To provide better control and overall accountability, the petty cash replenishments should be approved by the Ambulance Board.

**CITY OF GREENE, IOWA
DETAILED RECOMMENDATIONS
FOR THE PERIOD JULY 1, 2013 THROUGH JUNE 30, 2014**

- (F) Certified Budget - Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the culture and recreation, general government and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

- (G) Financial Condition - At June 30, 2014, the City had a deficit balance of \$105,536 in the Community Center Fund.

Recommendation - The City should investigate alternatives to eliminate the deficit in order to return the fund to a sound financial condition.

- (H) Receipts Register - The April 2014 receipts register did not reconcile to the bank statement deposits.

Recommendation - The City should establish procedures to ensure that the monthly receipts register from the general ledger system equals bank statement deposits.

- (I) Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not receive an image of the back of each cancelled check for several bank accounts.

Recommendation - The City should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

- (J) Deposit of Receipts - I noted that receipts were not being deposited in a timely manner.

Recommendation - The City should establish a cutoff time during the day to allow the Utility Clerk to balance and make a bank deposit the same day. This procedure would reduce the risk inherent in money being transferred between facilities and in funds being held overnight. The City would also earn additional interest income by having the funds deposited earlier.

- (K) Management Financial Information - The Clerk's financial reports to the City Council included cash and investment balances, year-to-date receipts and a claims report but did not include year-to-date disbursements with comparisons to the certified budget by function or a summary of beginning balance, receipts, disbursements, transfers and ending balance by fund.

Recommendation - To provide better control over budgeted disbursements and the opportunity for timely amendments to the certified budget, the Clerk's monthly financial reports to the City Council should include a year-to-date disbursement report with comparison to the certified budget by function. Also, for better financial information, the monthly reports should also include the beginning balance, receipts, disbursements, transfers and ending balance for each fund.

**CITY OF GREENE, IOWA
DETAILED RECOMMENDATIONS
FOR THE PERIOD JULY 1, 2013 THROUGH JUNE 30, 2014**

- (L) Bank Reconciliations - Although monthly bank reconciliations were prepared for the City's main checking account, the reconciliation did not reconcile all bank and investment accounts to total fund balance for all funds. In addition, the bank reconciliations are not independently reviewed.

Recommendation - The City should establish procedures to ensure all bank and investments account balances are reconciled to the total fund balance for all funds. In addition, an independent person should review all bank reconciliations and document their review by signing or initialing and dating the reconciliations.